

Financial Statements of

PROVIDENCE HEALTH CARE

Year ended March 31, 2015



How you want to be treated.

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STATEMENT OF MANAGEMENT RESPONSIBILITY

The financial statements of Providence Health Care for the year ended March 31, 2015 have been prepared by management in accordance with Canadian public sector accounting standards ("PSAS") issued by the Public Sector Accounting Board ("PSAB"), as required by Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia and in regard to the accounting for restricted contributions which is based on the Restricted Contributions Regulation 198/2011. The integrity and objectivity of these statements are management's responsibility. Management is also responsible for all the statements and schedules, and for ensuring that this information is consistent, where appropriate, with the information contained in the financial statements.

Management is also responsible for implementing and maintaining a system of internal controls to provide reasonable assurance that reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfils its responsibilities for financial reporting and internal control and exercises this responsibility through the Finance and Audit Committee of the Board. The Finance and Audit Committee meets with management and the internal auditor no fewer than four times a year and the external auditors a minimum of two times a year.

Providence Health Care's internal auditor independently evaluates the effectiveness of internal controls on an ongoing basis and reports its findings to management and the Finance and Audit Committee.

The external auditors, KPMG LLP, conduct an independent examination, in accordance with Canadian generally accepted auditing standards, and express their opinion on the financial statements. Their examination considers internal control relevant to management's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purposes of expressing an opinion on the effectiveness of Providence Health Care's internal control. The external auditors have full and free access to the Finance and Audit Committee of the Board and meet with it on a regular basis.

On behalf of Providence Health Care:

Dianne Doyle
President and Chief Executive Officer

Mary Procter
Vice President Finance and Planning

June 10, 2015
Vancouver, Canada



In affiliation with
THE UNIVERSITY OF
BRITISH COLUMBIA

Sites: St. Paul's Hospital | Holy Family Hospital | Mount Saint Joseph Hospital | Youville Residence | Marion Hospice
St. Vincent's: Brock Fahrni Pavilion, Langara, Honoria Conway - Heather

Community Dialysis Clinics: Sechel | Richmond | Powell River | Squamish | North Shore | Vancouver



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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of Providence Health Care and Minister of Health,
Province of British Columbia

Report on the Financial Statements

We have audited the accompanying financial statements of Providence Health Care, which comprise the statement of financial position as at March 31, 2015, and the statements of operations and accumulated deficit, changes in net debt and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Providence Health Care as at March 31, 2015, its results of operations, its changes in net debt and its cash flows for the year then ended, in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 1(a) to the financial statements, which describes the basis of accounting and significant differences between such basis of accounting and Canadian public sector accounting standards.

Report on Other Legal and Regulatory Requirements

As required by the *Society Act* (British Columbia), we:

- are required to express our opinion on the financial statements using the phrase “presents fairly, in all material respects”.
- report that, in our opinion, the accounting policies applied in preparing the financial statements in accordance with the financial reporting provisions of Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of British Columbia have been applied on a basis consistent with that of the preceding period.

KPMG LLP

Chartered Accountants

June 10, 2015
Vancouver, Canada

PROVIDENCE HEALTH CARE

Statement of Financial Position

(Tabular amounts expressed in thousands of dollars)

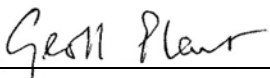
As at March 31, 2015, with comparative information for 2014

	2015	2014
Financial assets		
Cash and cash equivalents (note 2)	\$ 28,512	\$ 13,306
Portfolio investments (note 2)	15,915	16,905
Accounts receivable (note 3)	33,015	38,540
Promissory notes (note 4)	8,002	8,002
Long-term disability benefits and health and welfare benefits (note 8(b))	15,568	17,042
	<u>101,012</u>	<u>93,795</u>
Liabilities		
Accounts payable and accrued liabilities (note 5)	103,780	100,754
Deferred operating contributions (note 6)	1,406	1,366
Debt (note 7)	10,816	11,116
Retirement allowance (note 8(a))	46,231	44,681
Replacement reserves (note 9)	377	550
Deferred capital contributions (note 10)	169,698	171,149
	<u>332,308</u>	<u>329,616</u>
Net debt	<u>\$ (231,296)</u>	<u>\$ (235,821)</u>
Non-financial assets:		
Tangible capital assets (note 11)	\$ 148,903	\$ 155,047
Inventories held for use (note 12)	9,587	8,962
Prepaid expenses	3,275	2,103
	<u>161,765</u>	<u>166,112</u>
Accumulated deficit	<u>\$ (69,531)</u>	<u>\$ (69,709)</u>

Commitments and contingencies (note 13)

See accompanying notes to financial statements.

Approved on behalf of the Board:



Director



Director

PROVIDENCE HEALTH CARE

Statement of Operations and Accumulated Deficit
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

	Budget (notes 1(m) and 18)	2015	2014
Revenues:			
Vancouver Coastal Health Authority contributions	\$ 501,175	\$ 497,006	\$ 498,386
Pharmacare	123,959	123,232	118,067
Recoveries from other health authorities and BC government reporting entities	83,959	96,240	87,840
Medical Services Plan	63,118	62,010	61,934
Patients, clients and residents (note 14(a))	30,364	34,646	32,096
Amortization of deferred capital contributions (note 10)	20,115	23,883	29,491
Other	10,700	16,586	22,888
	833,390	853,603	850,702
Expenses: (note 14(b))			
Acute	681,172	700,541	698,956
Community care	17,730	18,056	17,665
Corporate	46,521	45,440	46,033
Mental health and substance use	35,190	36,591	33,155
Residential care	52,777	52,797	54,047
	833,390	853,425	849,856
Annual surplus	-	178	846
Accumulated deficit, beginning of year	(69,709)	(69,709)	(70,555)
Accumulated deficit, end of year	\$ (69,709)	\$ (69,531)	\$ (69,709)

See accompanying notes to financial statements.

PROVIDENCE HEALTH CARE

Statement of Changes in Net Debt
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

	Budget (notes 1(m) and 18)	2015	2014
Annual surplus	\$ -	\$ 178	\$ 846
Acquisition of tangible capital assets	(21,065)	(19,550)	(22,256)
Amortization of tangible capital assets	25,761	25,694	31,061
	4,696	6,322	9,651
Acquisition of inventories held for use	-	(141,148)	(134,724)
Acquisition of prepaid expenses	-	(8,492)	(6,392)
Consumption of inventories held for use	-	140,523	134,643
Use of prepaid expenses	-	7,320	5,664
	-	(1,797)	(809)
Decrease in net debt	4,696	4,525	8,842
Net debt, beginning of year	(235,821)	(235,821)	(244,663)
Net debt, end of year	\$ (231,125)	\$ (231,296)	\$ (235,821)

See accompanying notes to financial statements.

PROVIDENCE HEALTH CARE

Statement of Cash Flows

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015, with comparative information for 2014

	2015	2014
Cash flows from (used in) operating activities:		
Annual surplus	\$ 178	\$ 846
Items not involving cash:		
Amortization of tangible capital assets	25,694	31,061
Amortization of deferred capital contributions	(23,883)	(29,491)
Retirement allowance expense	4,063	3,952
Long-term disability benefits expense	5,422	757
	11,474	7,125
Net change in non-cash operating items (note 15(a))	6,621	(4,417)
Net change in cash from operating activities	18,095	2,708
Capital activities:		
Acquisition of tangible of capital assets (notes 11 and 15(b))	(19,550)	(22,256)
Net change in cash from capital activities	(19,550)	(22,256)
Investing activities:		
Net change in portfolio investments	990	4,472
Net change in cash from investing activities	990	4,472
Financing activities:		
Retirement allowance benefits paid	(2,513)	(2,192)
Long-term disability benefits contributions	(3,948)	(12,318)
Repayment of debt	(300)	(207)
Capital contributions (note 10)	22,432	24,739
Net change in cash from financing activities	15,671	10,022
Increase (decrease) in cash and cash equivalents	15,206	(5,054)
Cash and cash equivalents, beginning of year	13,306	18,360
Cash and cash equivalents, end of year	\$ 28,512	\$ 13,306

Supplementary cash flow information (note 15)

See accompanying notes to financial statements.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

Providence Health Care (“Providence”) is incorporated under the *Society Act* (British Columbia) and is funded by the Ministry of Health (the “Ministry”). Providence is a not-for-profit organization and is a registered charity under the *Income Tax Act*, and as such, is exempt from income taxes.

Providence, situated in central Vancouver, provides acute care, geriatric rehabilitation, continuing care, and other tertiary care services to the residents of Greater Vancouver Regional Area and other residents of British Columbia (BC). Providence is responsible for operating seven community dialysis clinics in the Vancouver region, an addiction clinic and has clinical operations on eight different sites: St. Paul’s Hospital, Holy Family Hospital, Mount Saint Joseph Hospital, Brock Fahrni Pavilion, St. Vincent’s Langara, Youville Residence, St. John’s Hospice, and Honoria Conway at St. Vincent’s Heather.

Providence is a strategic partner with Vancouver Coastal Health Authority (“VCHA”). The formal relationship is delineated within an Affiliation Agreement signed by the respective parties on June 16, 1998. The Affiliation Agreement establishes Accountability Provisions, Operating Principles, Funding Guidelines, Dispute Mechanism, and Termination Rights between Providence and VCHA. Providence is dependent upon the Ministry and VCHA to provide sufficient funding to continue operations, to replace equipment and to complete other capital projects.

1. Significant accounting policies:

(a) Basis of accounting:

The financial statements have been prepared in accordance with Section 23.1 of the *Budget Transparency and Accountability Act* of the Province of BC supplemented by Regulations 257/2010 and 198/2011 issued by the Province of BC Treasury Board, referred to as the financial reporting framework (the framework).

The Budget Transparency and Accountability Act requires that the financial statements be prepared in accordance with the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada, or if the Treasury Board makes a regulation, the set of standards and guidelines that comprise generally accepted accounting principles for senior governments in Canada as modified by the alternate standard or guideline or part thereof adopted in the regulation.

Regulation 257/2010 requires all tax-payer supported organizations in the Schools, Universities, Colleges, and Hospitals sectors to adopt Canadian public sector accounting standards (PSAS) issued by the Canadian Public Sector Accounting Board (PSAB) without any PS 4200 series.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(a) Basis of accounting (continued):

Regulation 198/2011 requires that restricted contributions received or receivable are to be reported as revenue depending on the nature of the restrictions on the use of the funds by the contributors as follows:

- (i) Contributions for the purpose of acquiring or developing a depreciable tangible capital asset or contributions in the form of a depreciable tangible capital asset, in each case for use in providing services, are recorded and, referred to as deferred capital contributions and recognized in revenue at the same rate that amortization of the related tangible capital asset is recorded. The reduction of the deferred capital contributions and the recognition of the revenue are accounted for in the fiscal period during which the tangible capital asset is used to provide services. If the depreciable tangible capital asset funded by a deferred contribution is written down, a proportionate share of the deferred capital contribution is recognized as revenue during the same period.
- (ii) Contributions externally restricted for specific purposes other than those for the acquisition or development of a depreciable tangible capital asset are recorded as deferred operating contributions and recognized in revenue in the year in which the stipulation or restriction on the contributions have been met.

For BC tax-payer supported organizations, these contributions include government transfers and externally restricted contributions.

The accounting policy requirements under Regulation 198/2011 are significantly different from the requirements of PSAS which require that:

- government transfers, which do not contain a stipulation that creates a liability, be recognized as revenue by the recipient when approved by the transferor and the eligibility criteria have been met in accordance with PS 3410, *Government Transfers*;
- externally restricted contributions be recognized as revenue in the period in which the resources are used for the purpose or purposes specified in accordance with PS 3100, *Restricted Assets and Revenue*; and
- deferred contributions meet the liability criteria in accordance with PS 3200, *Liabilities*.

As a result, revenue recognized in the statement of operations and certain related deferred capital contributions would be recorded differently under PSAS.

(b) Basis of presentation:

Providence has collaborative relationships with certain foundations and other institutions, which support the activities of Providence and/or provide services under contracts. As Providence does not control these organizations, these financial statements do not include the assets, liabilities, and results of operations of related foundations and Providence Health Care Research Institute Trust (notes 16(b) and 16(c)).

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(c) Cash and cash equivalents:

Cash and cash equivalents include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of change in value. These investments generally have a maturity of three months or less at acquisition and are held for the purpose of meeting short-term cash commitments rather than for investing.

(d) Portfolio investments:

Portfolio investments include banker's acceptances, treasury bills, and bonds and are recorded at cost adjusted for any write-downs. Transaction costs are recorded using the effective interest rate method.

Write-downs of investments are recognized when the loss in value is determined to be other-than-temporary. Write-downs are not reversed in the future if circumstances change.

(e) Lease inducements:

Lease inducements are monies advanced on an operating lease by the property owner to finance tenant improvements. Inducements are amortized on a straight-line basis over the lease term.

(f) Asset retirement obligations:

Providence recognizes an asset retirement obligation in the period in which it incurs a legal or constructive obligation associated with the retirement of a tangible capital asset including leasehold improvements resulting from the acquisition, construction, development, and/or normal use of the asset.

The obligation is measured at the best estimate of the future cash flows required to settle the liability, discounted at estimated credit-adjusted risk-free discount rates. The estimated amount of the asset retirement cost is capitalized as part of the carrying value of the related tangible capital asset and is amortized over the life of the asset.

The liability is accreted to reflect the passage of time. At each reporting date, Providence reviews its asset retirement obligations to reflect current best estimates. Asset retirement obligations are adjusted for changes in factors such as the amount or timing of the expected underlying cash flows, or discount rates, with the offsetting amount recorded to the carrying amount of the related asset.

(g) Employee benefits:

(i) Defined benefit obligations, including multiple employer benefit plans:

Liabilities, net of plan assets, are recorded for employee retirement allowance benefits and multiple employers defined long-term disability benefits plans as employees render services to earn the benefits.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(g) Employee benefits (continued):

(i) Defined benefit obligations, including multiple employer benefit plans (continued):

The actuarial determination of the accrued benefit obligations uses the projected benefit method prorated on service (which incorporates management's best estimate of future salary levels, other cost escalation, retirement ages of employees, and other actuarial factors). Plan assets are measured at fair value.

The cumulative unrecognized actuarial gains and losses for retirement allowance benefits are amortized over the expected average remaining service lifetime of active employees covered under the plan. The expected average remaining service period of the active covered employees entitled to retirement allowance benefits is 10 years (2014 - 10 years). The cost of plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented. Actuarial gains and losses from event-driven benefits such as long-term disability benefits that do not vest or accumulate are recognized immediately.

The discount rate used to measure an obligation is based on the Province of BC's cost of borrowing if there are no plan assets. The expected rate of return on plan assets is the discount rate used if there are no plan assets. The cost of a plan amendment or the crediting of past service is accounted for entirely in the year that the plan change is implemented.

(ii) Defined contribution plans and multi-employer benefit plans:

Defined contribution plan accounting is applied to multi-employer defined benefit plans and, accordingly, contributions are expensed when payable.

(iii) Accumulating, non-vesting benefit plans:

Benefits that accrue to employees, which do not vest, such as sick leave banks for certain employee groups, are accrued as the employees render services to earn the benefits, based on estimates of the expected future settlements.

(iv) Non-accumulating, non-vesting benefit plans:

For benefits that do not vest or accumulate, a liability is recognized when an event that obligates Providence to pay benefits occurs.

(h) Non-financial assets:

(i) Tangible capital assets:

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development, or betterment of the asset and overhead directly attributable to construction and development. Interest is capitalized over the development period whenever external debt is issued to finance the construction and development of tangible capital assets.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(h) Non-financial assets (continued):

(i) Tangible capital assets (continued):

The cost, less residual value, of the tangible capital assets, excluding land, is amortized on a straight-line basis over their estimated useful lives as follows:

Asset	Basis
Land improvements	5 - 28 years
Buildings	20 - 40 years
Equipment	3 - 20 years
Information systems	3 - 5 years
Leasehold improvements	Lease term

Assets under construction or development are not amortized until the asset is available for productive use.

Tangible capital assets are written down when conditions indicate that they no longer contribute to Providence's ability to provide services, or when the value of future economic benefits associated with the tangible capital assets is less than their net book value. The write-downs of tangible capital assets are recorded in the statement of operations. Write downs are not subsequently reversed.

Contributed tangible capital assets are recorded at their fair value on the date of contribution. Such fair value becomes the cost of the contributed asset. When fair value of a contributed asset cannot be reliably determined, the asset is recorded at nominal value.

(ii) Inventories held for use:

Inventories held for use are recorded at the lower of weighted average cost and replacement cost. Certain specific inventory items are purchased on consignment and are not included in inventory.

(iii) Prepaid expenses:

Prepaid expenses are recorded at cost and amortized over the period when the service benefits are received.

(i) Revenue recognition:

Under the *Hospital Insurance Act and Regulation*, thereto, Providence is funded primarily by the Province of BC in accordance with budget arrangements established and approved by the Ministry and VCHA. Approved operating contributions are provided to Providence by the Ministry through VCHA.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(i) Revenue recognition (continued):

Revenues are recognized on an accrual basis in the period in which the transactions or events occurred that gave rise to the revenues, the amounts are considered to be collectible and can be reasonably estimated.

Revenue related to fees or services received in advance of the fee being earned or the service being performed is deferred and recognized when the fee is earned or service performed.

Unrestricted contributions are recognized as revenue when receivable if the amounts can be estimated and collection is reasonably assured.

Externally restricted contributions are recognized as revenue depending on the nature of the restrictions on the use of the funds by the contributors as described in note 1(a).

Volunteers contribute a significant amount of their time each year to assist Providence in carrying out its programs and services. Due to the difficulty of determining their fair value, contributed services are not recognized in these financial statements.

Contributions of assets, supplies and services that would otherwise have been purchased are recorded at fair value at the date of contribution, provided a fair value can be reasonably determined.

Contributions for the acquisition of land, or the contributions of land, are recorded as revenue in the period of acquisition or transfer of title.

(j) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Significant areas requiring the use of estimates include the valuation of accounts receivable, the estimated useful lives of tangible capital assets, amounts to settle asset retirement obligations, contingent liabilities, and the future costs to settle employee benefit obligations.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Actual results could differ from the estimates.

(k) Foreign currency translation:

Providence's functional currency is the Canadian dollar. Foreign currency transactions are translated at the exchange rates prevailing at the date of the transactions.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(k) Foreign currency translation (continued):

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the financial statement date.

Any gain or loss resulting from a change in rates between the transaction date and the settlement date or balance sheet date is recognized in the statement of operations.

(l) Financial instruments:

Financial instrument classification is determined upon inception and financial instruments are not reclassified into another measurement category for the duration of the period they are held.

Financial assets and financial liabilities, other than derivatives, equity instruments quoted in an active market and financial instruments designated at fair value, are measured at cost or amortized cost upon their inception and subsequent to initial recognition. Cash and cash equivalents are measured at cost. Accounts receivable are recorded at cost less any amount for valuation allowance. Portfolio investments, other than equity investments quoted in an active market, are reported at cost or amortized cost less any write-downs associated with a loss in value that is other than a temporary decline. Promissory notes are recorded at cost less any amount for valuation allowance. Loans receivable are recorded at cost less any amount for valuation allowance. Debt and other financial liabilities are recorded using cost or amortized cost.

Interest and dividends attributable to financial instruments are reported in the statement of operations.

All financial assets recorded at amortized cost are tested annually for impairment. When financial assets are impaired, impairment losses are recorded in the statement of operations. A write-down of a portfolio investment to reflect a loss in value is not reversed for a subsequent increase in value.

For financial instruments measured using amortized cost, the effective interest rate method is used to determine interest revenue or expense.

Transaction costs for financial instruments measured using cost or amortized cost are added to the carrying value of the financial instrument. Transaction costs for financial instruments measured at fair value are expensed when incurred.

A financial liability or its part is derecognized when it is extinguished.

Management evaluates contractual obligations for the existence of embedded derivatives and elects to either designate the entire contract for fair value measurement or separately measure the value of the derivative component when characteristics of the derivative are not closely related to the economic characteristics and risks of the contract itself. Contracts to buy or sell non-financial items for Providence's normal purchase, sale or usage requirements are not recognized as financial assets or financial liabilities.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

1. Significant accounting policies (continued):

(m) Budget figures:

Budget figures have been provided for comparative purposes and have been derived from Providence's Fiscal 2014/2015 Budget approved by the Board of Directors on March 26, 2014. Note 18 reconciles the approved budget to the budget reflected in the statement of operations and accumulated deficit.

(n) Future accounting standards:

(i) In March 2015, PSAB issued PS 2200, *Related Party Disclosures*. PS 2200 defines a related party and establishes disclosures required for related party transactions. Disclosure of information about related party transactions and the relationship underlying them is required when the transactions have occurred at a value different from that which would have been arrived at if the parties were unrelated, and the transactions have, or could have, a material financial effect on the financial statements. PS 2200 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 2200 on the financial statements of Providence.

(ii) In March 2015, PSAB issued PS 3420, *Inter-entity Transactions*. PS 3420 establishes standards of how to account for and report transactions between public sector entities that comprise a government reporting entity from both a provider and a recipient perspective. The main features of the standard are as follows:

- Under a policy of cost allocation, revenues and expenses are recognized on a gross basis;
- Transactions are measured at the carrying amount, except in specific circumstances;
- A recipient may choose to recognize unallocated costs for the provision of goods and services and measure them at the carrying amount, fair value or other amount dictated by policy, accountability structure or budget practice; and
- The transfer of an asset or liability for nominal or no consideration is measured by the provider at the carrying amount and by the recipient at the carrying amount or fair value.

Requirements of this standard are considered in conjunction with requirements of PS 2200. PS 3420 applies to fiscal years beginning on or after April 1, 2017. Management is in the process of assessing the impact of adoption of PS 3420 on Providence's financial statements.

(o) Comparative information:

Certain comparative information has been reclassified to conform with this year's current financial statement presentation.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

2. Cash and cash equivalents and portfolio investments:

	2015	2014
Cash and cash equivalents	\$ 28,512	\$ 13,306
Portfolio investments	15,915	16,905
	44,427	30,211
Less amounts restricted for:		
Designated purposes	(222)	(306)
Replacement reserves (note 9)	(377)	(550)
Patient comfort funds	(122)	(117)
Deferred Salary Leave Plan	(118)	(87)
Unrestricted cash and cash equivalents and portfolio investments	\$ 43,588	\$ 29,151

3. Accounts receivable:

	2015	2014
Pharmacare	\$ 8,423	\$ 1,713
Patients, clients, and residents	7,737	7,020
Other health authorities and BC government reporting entities	7,384	9,578
Vancouver Coastal Health Authority	2,398	13,138
Ministry of Health	2,285	1,600
Medical Services Plan	1,912	5,587
Foundations and auxiliaries	1,669	-
Federal government	1,384	1,248
Other	5,784	3,657
	38,976	43,541
Allowance for doubtful accounts	(5,961)	(5,001)
	\$ 33,015	\$ 38,540

4. Promissory notes:

Promissory notes of \$7,500 and \$502 for a total of \$8,002 (2014 - \$8,002) were signed with the Vancouver Esperanza Society in prior years. Both notes are payable on demand. The notes earned interest at a rate of 3.00% during 2015 (2014 - 3.00%).

Effective May 9, 2014, the promissory notes agreement was extended to May 9, 2017.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

5. Accounts payable and accrued liabilities:

	2015	2014
Trade accounts payable and accrued liabilities	\$ 51,404	\$ 49,067
Accrued salaries and benefits	33,767	33,366
Accrued vacation pay	18,609	18,321
	\$ 103,780	\$ 100,754

6. Deferred operating contributions:

Deferred operating contributions represent externally restricted operating funding received for specific purposes.

	2015	2014
Deferred operating contributions, beginning of year	\$ 1,366	\$ 4,375
Contributions received in the year	484	2,765
Amount recognized as revenue in the year	(444)	(5,774)
Deferred operating contributions, end of year	\$ 1,406	\$ 1,366

7. Debt:

	2015	2014
Mortgage:		
MCAP Financial Corporation (2014 - Royal Bank) mortgage, interest at 3.22% per annum, due June 1, 2024, secured by first charge on properties, payable in blended payments of \$48 per month	\$ 10,816	\$ 11,116

Required blended payments on the mortgage for the years ending March 31 are as follows:

2016	\$	578
2017		578
2018		578
2019		578
2020		578
Thereafter		10,757
		13,647
Less: interest		(2,831)
	\$	10,816

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

8. Employee benefits:

(a) Retirement allowance:

Certain employees with ten or twenty years of service and having reached a certain age are entitled to receive special payments upon retirement or as specified by collective agreements. These payments are based upon accumulated sick leave credits and/or entitlements for each year of service.

Providence's liabilities are based on an actuarial valuation performed as at the early measurement date of December 31, 2014 and extrapolated to March 31, 2015 from which the service cost and interest cost components of expense for the fiscal year ended March 31, 2015 are derived. The next required valuation will be as of December 31, 2015.

Information about retirement allowance benefits are as follows:

	2015	2014
Sick leave benefits	\$ 17,397	\$ 17,127
Severance benefits	23,118	23,002
	40,515	40,129
Unamortized actuarial gain	5,716	4,552
Accrued benefit liability, end of year	\$ 46,231	\$ 44,681

The accrued benefit liability for retirement allowance reported on the statement of financial position is as follows:

	2015	2014
Accrued benefit liability, beginning of year	\$ 44,681	\$ 42,921
Current service cost	2,849	2,707
Amortization of actuarial gain	(527)	(468)
Interest expense	1,741	1,713
Net benefit expense	4,063	3,952
Benefits paid	(2,513)	(2,192)
Accrued benefit liability, end of year	\$ 46,231	\$ 44,681

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

8. Employee benefits (continued):

(a) Retirement allowance (continued):

The significant actuarial assumptions adopted in measuring Providence's accrued benefit liability are as follows:

	2015	2014
Accrued benefit obligation as at March 31:		
Discount rate	3.98%	4.26%
Rate of compensation increase	2.50%	2.50%
Benefit costs for years ended March 31:		
Discount rate	3.98%	4.41%
Rate of compensation increase	2.50%	2.50%
Expected future inflationary increase	2.00%	2.00%

(b) Healthcare Benefit Trust benefits:

The Healthcare Benefit Trust (the 'Trust') administers long-term disability, group life insurance, accidental death and dismemberment, extended health, and dental claim ("health and welfare benefits") for certain employee groups of Providence and other provincially funded organizations.

Providence and all other participating employers are responsible for the liabilities of the Trust should any participating employers be unable to meet their obligation to contribute to the Trust.

(i) Long-term disability and health and welfare benefits:

The Trust is a multiple-employer plan, Providence's assets and liabilities being segregated with regards to long-term disability benefits after September 30, 1997 and health and welfare benefits after December 31, 2014. Accordingly, Providence's net trust assets are reflected in these financial statements.

Providence's assets as of March 31, 2015 are based on the actuarial valuation at December 31, 2014, extrapolated to March 31, 2015. Providence's assets as of March 31, 2014 are based on the actuarial valuation at December 31, 2013. The next expected valuation is as of December 31, 2015.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

The long-term disability and health and welfare benefits asset reported on the statement of financial position is as follows:

	2015	2014
Accrued benefit obligation	\$ 56,796	\$ 53,285
Fair value of plan assets	72,364	70,327
Long-term disability benefits asset	\$ (15,568)	\$ (17,042)

Accrued long-term disability benefits reported on the statement of financial position is as follows:

	2015	2014
Long-term disability benefits asset, beginning of year	\$ (17,042)	\$ (5,481)
Net benefit expense:		
Long-term disability expense	7,640	7,155
Interest expense	2,998	2,916
Expected return on assets	(3,863)	(3,309)
Actuarial gain	(1,353)	(6,005)
Net benefit expense	5,422	757
Contributions to the plan	2,321	(10,218)
Transfer of health and welfare benefits net surplus	(5,808)	(2,100)
Effect of change in plan valuation date	(461)	-
Long-term disability and health and welfare benefits asset, end of year	\$ (15,568)	\$ (17,042)
Benefits paid to claimants	\$ (5,250)	\$ (8,277)

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(i) Long-term disability and health and welfare benefits (continued):

Plan assets consist of:

	2015	2014
Debt securities	43.10%	44.00%
Foreign equities	33.90%	40.00%
Equity securities and other	23.00%	16.00%
Total	100.00%	100.00%

The significant actuarial assumptions adopted in measuring Providence's accrued long-term disability and health and welfare benefits asset are as follows:

	2015	2014
Accrued benefit asset as at March 31:		
Discount rate	5.30%	5.80%
Benefit cost for years ended March 31:		
Discount rate	5.80%	5.60%
Expected future inflationary increases:		
Indexing to wage rate increases	2.50%	2.50%
Indexing to CPI increases	2.00%	2.00%
Expected long-term rate of return on plan assets	5.80%	5.60%

Actual long-term rate of return on plan assets was 10.8% for the year ended December 31, 2014 (2014 - 14.3%).

PROVIDENCE HEALTH CARE

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

8. Employee benefits (continued):

(b) Healthcare Benefit Trust benefits (continued):

(ii) Other Trust benefits:

The health and welfare benefits administered by the Trust on behalf of Providence were part of a multi-employer pool within the Trust prior to December 31, 2014. Contributions to this pool by Providence for the nine month period ended December 31, 2014 of \$9.8 million (year ended March 31, 2014 - \$13.6 million) were expensed during the year. From January 1, 2015 onwards, Providence no longer participates in this pool. The benefits are now provided through the long-term disability and health and welfare benefit plans.

(c) Employee pension benefits:

Providence and its employees contribute to the Municipal Pension Plan, a multi-employer defined benefit pension plan governed by the *BC Public Sector Pension Plans Act*.

Employer contributions to the Municipal Pension Plan of \$28.7 million (2014 - \$28.8 million) were expensed during the year. Every three years, an actuarial valuation is performed to assess the financial position of the plan and the adequacy of plan funding. The most recent actuarial valuation for the plan at December 31, 2013 indicated an unfunded liability of approximately \$1,370.0 million. The actuary does not attribute portions of the unfunded liability to individual employers. The plan covers approximately 182,000 active members, of which approximately 5,100 are employees of Providence (2014 - 5,200). The next expected actuarial evaluation will be as of December 31, 2015.

9. Replacement reserves:

The replacement reserves represent the accumulated provision specified by the BC Housing Corporation and are discretionary funds for replacement of appliances and equipment for the benefit of Honoria Conway at St. Vincent's Heather.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

9. Replacement reserves (continued):

The replacement reserves are represented by:

	2015	2014
Replacement reserve	\$ 377	\$ 457
Long-term care reserve	-	93
	<u>\$ 377</u>	<u>\$ 550</u>

10. Deferred capital contributions:

Deferred capital contributions represent externally restricted contributions for the purchase of tangible capital assets.

	2015	2014
Deferred capital contributions, beginning of year	\$ 171,149	\$ 174,102
Capital contributions received:		
Vancouver Coastal Health Authority	17,020	20,098
St. Paul's Hospital Foundation	2,038	3,183
Tapestry Foundation for Health Care	858	1,820
Providence Health Care Research Institute Trust	603	1,035
Other	1,913	402
	<u>22,432</u>	<u>26,538</u>
Amortization for the year	(23,883)	(29,491)
Deferred capital contributions, end of year	<u>\$ 169,698</u>	<u>\$ 171,149</u>

Deferred capital contributions are comprised of the following:

	2015	2014
Contributions used to purchase tangible capital assets (note 11)	\$ 118,290	\$ 123,441
Unspent contributions	51,408	47,708
	<u>\$ 169,698</u>	<u>\$ 171,149</u>

PROVIDENCE HEALTH CARE

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

11. Tangible capital assets:

Cost	2014	Additions	Disposals	Transfers	2015
Land	\$ 12,721	\$ -	\$ -	\$ -	\$ 12,721
Land improvements	252	-	-	-	252
Buildings	322,438	-	-	11,594	334,032
Equipment	189,989	8,070	(433)	-	197,626
Information systems	39,855	-	-	-	39,855
Leasehold improvements	14,458	-	-	981	15,439
Equipment under capital lease	15,179	-	-	-	15,179
Construction in progress	6,076	11,480	-	(12,575)	4,981
Total	\$ 600,968	\$ 19,550	\$ (433)	\$ -	\$ 620,085

Accumulated amortization	2014	Disposals	Amortization	2015
Land improvements	\$ 248	\$ -	\$ -	\$ 248
Buildings	218,055	-	14,681	232,736
Equipment	165,885	(433)	9,180	174,632
Information systems	38,928	-	741	39,669
Leasehold improvements	7,626	-	1,092	8,718
Equipment under capital lease	15,179	-	-	15,179
Total	\$ 445,921	\$ (433)	\$ 25,694	\$ 471,182

Cost	2013	Additions	Disposals	Transfers	2014
Land	\$ 12,721	\$ -	\$ -	\$ -	\$ 12,721
Land improvements	252	-	-	-	252
Buildings	310,021	-	-	12,417	322,438
Equipment	184,135	6,634	(780)	-	189,989
Information systems	39,794	61	-	-	39,855
Leasehold improvements	12,767	-	-	1,691	14,458
Equipment under capital lease	15,388	-	(209)	-	15,179
Construction in progress	4,623	15,561	-	(14,108)	6,076
Total	\$ 579,701	\$ 22,256	\$ (656)	\$ -	\$ 600,968

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

11. Tangible capital assets (continued):

Accumulated amortization	2013	Disposals	Amortization	2014
Land improvements	\$ 248	\$ -	\$ -	\$ 248
Buildings	203,881	-	14,174	218,055
Equipment	156,214	(780)	10,451	165,885
Information systems	33,490	-	5,438	38,928
Leasehold improvements	6,628	-	998	7,626
Equipment under capital lease	15,388	(209)	-	15,179
Total	\$ 415,849	\$ (989)	\$ 31,061	\$ 445,921

Net book value	2015	2014
Land	\$ 12,721	\$ 12,721
Land improvements	4	4
Buildings	101,296	104,383
Equipment	22,994	24,104
Information systems	186	927
Leasehold improvements	6,721	6,832
Construction in progress	4,981	6,076
Total	\$ 148,903	\$ 155,047

Tangible capital assets are funded as follows:

	2015	2014
Deferred capital contributions (note 10)	\$ 118,290	\$ 123,441
Debt (note 7)	10,816	11,116
Internally funded	19,797	20,490
Tangible capital assets	\$ 148,903	\$ 155,047

12. Inventories held for use:

	2015	2014
Pharmaceuticals	\$ 8,824	\$ 8,234
Medical supplies	763	728
	\$ 9,587	\$ 8,962

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

13. Commitments and contingencies:

(a) Construction, equipment and information systems in progress:

As at March 31, 2015, Providence had outstanding commitments for construction, equipment and information systems in progress of \$4.0 million (2014 - \$6.6 million).

(b) Contractual obligations:

Providence has entered into various contracts for services within the normal course of operations. The estimated contractual obligations under these contracts for the years ending March 31 are as follows:

2016	\$	21,521
2017		21,304
2018		21,720
2019		21,777
2020		12,410
Thereafter		27,017
	\$	125,749

(c) Operating leases:

The aggregate minimum future annual rentals under operating leases for the years ending March 31 are as follows:

2016	\$	6,830
2017		6,718
2018		6,545
2019		6,067
2020		5,672
Thereafter		7,181
	\$	39,013

(d) Litigation and claims:

Risk management and insurance services for Providence are provided by the Risk Management and Government Security Branch of the Ministry of Finance.

The nature of Providence's activities is such that there is litigation pending or in progress at any time. With respect to unsettled claims at March 31, 2015, management is of the opinion that Providence has valid defenses and appropriate insurance coverage in place, or if there is unfunded risk, such claims are not expected to have a material effect on Providence's financial position. Outstanding contingencies are reviewed on an ongoing basis and are provided for based on management's best estimate of the ultimate settlement.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

13. Commitments and contingencies (continued):

(e) Asset retirement obligations:

Providence has not accrued asset retirement obligations for its buildings that may contain asbestos that require special handling procedures where there are no approved plans for significant renovation. At this time, Providence has not recognized these asset retirement obligations as the value of the retirement obligations cannot be reasonably estimated until there is a reasonably determinate settlement date for the major renovations or demolition of the buildings. These asset retirement obligations will be recognized as a liability in the period when their value can be reasonably estimated.

14. Statement of operations:

(a) Patients, clients and residents revenue:

	2015	2014
Non-residents of BC	\$ 10,685	\$ 9,157
Long-term care and extended care	10,468	10,201
Non-residents of Canada	8,474	8,004
WorkSafe BC	2,117	2,216
Residents of BC self pay	1,974	1,751
Preferred accommodation	324	349
Federal government	172	105
Other	432	313
	<u>\$ 34,646</u>	<u>\$ 32,096</u>

(b) The following is a summary of expenses by object:

	2015	2014
Compensation:		
Compensation	\$ 402,359	\$ 394,761
Employee benefits	70,021	73,046
	<u>472,380</u>	<u>467,807</u>
Referred out and contracted services:		
Other health authorities and		
BC government reporting entities	60,400	58,786
Health and support services providers	30,649	29,538
	<u>91,049</u>	<u>88,324</u>
Carried forward	563,429	556,131

PROVIDENCE HEALTH CARE

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

14. Statement of operations (continued):

(b) The following is a summary of expenses by object (continued):

	2015	2014
Brought forward	\$ 563,429	\$ 556,131
Supplies:		
Drugs and medical gases	141,631	137,522
Medical and surgical	50,266	47,319
Diagnostic	13,274	12,443
Printing, stationery and office	1,722	1,680
Laundry and linen	1,275	1,234
Food and dietary	1,119	847
Housekeeping	525	557
Other	8,496	8,392
	218,308	209,994
Amortization of tangible capital assets	25,694	31,061
Equipment and building services:		
Equipment	15,352	16,344
Rent	5,740	6,073
Plant operations (utilities)	4,601	5,009
Building and grounds service contracts	1,040	1,195
Other	2,536	5,707
	29,269	34,328
Sundry:		
Professional fees	6,898	7,032
Travel	1,680	1,744
Patient transport	1,687	1,599
Communications and data processing	1,015	977
Other	4,873	6,379
	16,153	17,731
Designated expenses	147	209
Interest on debt	425	402
	\$ 853,425	\$ 849,856

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

15. Supplementary cash flow information:

(a) Net change in non-cash operating items:

	2015	2014
Accounts receivable	\$ 5,525	\$ 983
Accounts payable and accrued liabilities	3,026	(1,637)
Deferred operating contributions	40	(3,009)
Replacement reserves	(173)	55
Inventories held for use	(625)	(81)
Prepaid expenses	(1,172)	(728)
	\$ 6,621	\$ (4,417)

(b) Acquisition of tangible capital assets:

Assets purchased or acquired through debt or other non-cash transactions are excluded from the acquisition of tangible capital assets on the statement of cash flows.

	2015	2014
Acquisition of tangible capital assets (note 11)	\$ 19,550	\$ 22,256

16. Related party operations:

(a) BC government reporting entities:

Providence is related through common control to all Province of BC ministries, agencies, Crown corporations, school districts, health authorities, hospital societies, universities, and colleges that are included in the provincial government reporting entity. Transactions with these entities, unless disclosed otherwise, are considered to be in the normal course of operations and are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

(b) Hospital foundations:

Providence has an economic interest in two foundations, as set out below, and has the ability to appoint some of the members of the Board of Directors of the St. Paul's Hospital Foundation. The Foundations are incorporated under the *Society Act* (British Columbia), are registered charities under the *Income Tax Act* and were formed to raise funds to further the improvement of patient care at the respective sites of Providence.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

16. Related party operations (continued):

(b) Hospital foundations (continued):

Providence received donations of the following amounts during the year:

	2015	2014
St. Paul's Hospital Foundation	\$ 5,413	\$ 5,644
Tapestry Foundation	1,381	2,230
	\$ 6,794	\$ 7,874

Net assets	2015	2014
St. Paul's Hospital Foundation	\$ 78,631	\$ 65,136
Tapestry Foundation	11,202	10,867
	\$ 89,833	\$ 76,003

The net assets and results from operations of the Foundations are not included in the financial statements of Providence.

(c) Providence Health Care Research Institute Trust:

Providence Health Care Research Institute Trust ("Research Institute") is an academic health science centre affiliated with the University of British Columbia and Simon Fraser University. The Research Institute is a registered charity under the *Income Tax Act*; it was formally launched in 2005 to facilitate and encourage health research at Providence. As at March 31, 2015, the Research Institute includes 426 separate funds, the majority of which are medical research accounts, each with a specific purpose and under the control of an authorized person. The Research Institute funds are not available for use in Providence's activities and accordingly, the assets, liabilities, revenue, and expenses of these funds are not included in Providence's financial statements. The Research Institute's net assets at March 31, 2015 were \$8.8 million (2014 - \$8.0 million) and revenue and expenditures for the year then ended were approximately \$7.1 million (2014 - \$14.0 million) and \$9.6 million (2014 - \$14.2 million), respectively.

(d) Providence is related to Health Shared Services BC ("HSSBC") through VCHA, which is a member of HSSBC. The purpose of HSSBC is to find opportunities where the Health Authorities can improve cost effectiveness by working collaboratively on common services. Providence accesses the services provided by HSSBC through an agreement with VCHA whereby Providence appoints VCHA as its agent in connection with the provision of services by HSSBC to Providence. HSSBC is structured under Provincial Health Services Authority.

PROVIDENCE HEALTH CARE

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

17. Risk management:

Providence is exposed to credit risk, liquidity risk, foreign exchange risk, and interest rate risk from its financial instruments. Qualitative and quantitative analysis of the significant risks from Providence's financial instruments is provided below by type of risk below.

(a) Credit risk:

Credit risk primarily arises from Providence's cash and cash equivalents, accounts receivable and portfolio investments. The risk exposure is limited to their varying amounts at the date of the statement of financial position.

Providence manages credit risk by holding balances of cash and cash equivalents with reputable top rated financial institutions. The portfolio investments are in low risk instruments with varying maturities held with top rated financial institutions. Providence periodically reviews its investments and is satisfied with the credit rating of the financial institutions and the investment grade of its portfolio investments.

Accounts receivable primarily consists of amounts receivable from the Ministry, other health authorities, and BC government reporting entities, patients, clients and agencies, hospital foundations and auxiliaries, grantors, etc. To reduce the risk, Providence periodically reviews the collectability of its accounts receivable and establishes an allowance based on its best estimate of potentially uncollectible amounts. As at March 31, 2015, the amount of allowance for doubtful accounts was \$6.0 million (2014 - \$5.0 million).

Providence is not exposed to significant credit risk with respect to the amounts receivable from the Ministry, other health authorities and BC government reporting entities.

(b) Liquidity risk:

Liquidity risk is the risk that Providence will not be able to meet its financial obligations as they become due. It is Providence's intention to meet its financial obligations through the collection of current accounts receivable, cash on hand and future funding from the Ministry. If the current funding and cash on hand were insufficient to satisfy its current obligations, Providence has the option to sell its portfolio investments, the majority of which can be liquidated without additional cost.

Providence's principal source of funding is from VCHA and the Ministry through VCHA. Providence is not subject to debt covenants or any other capital requirements with respect to operating funding. Funding received for designated purposes must be used for the purpose outlined in the funding letter or grant documentation. Providence has complied with the external restrictions on the funding provided.

PROVIDENCE HEALTH CARE

Notes to Financial Statements
(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

17. Risk management (continued):

(b) Liquidity risk (continued):

The tables below show when various financial assets and liabilities mature:

2015 Financial assets	Up to 1 year	1 to 5 years	Over 5 years	Total
Cash and cash equivalents	\$ 28,512	\$ -	\$ -	\$ 28,512
Portfolio investments	15,915	-	-	15,915
Accounts receivable	33,015	-	-	33,015
Promissory notes	8,002	-	-	8,002
Total financial assets	\$ 85,444	\$ -	\$ -	\$ 85,444

2015 Liabilities	Up to 1 year	1 to 5 years	Over 5 years	Total
Accounts payable and accrued liabilities	\$ 103,780	\$ -	\$ -	\$ 103,780
Debt	235	1,020	9,561	10,816
Total liabilities	\$ 104,015	\$ 1,020	\$ 9,561	\$ 114,596

(c) Foreign exchange risk:

Providence's operating results and financial position are reported in Canadian dollars. As Providence operates in an international environment, some of Providence's financial instruments and transactions are denominated in currencies other than Canadian dollar. The results of Providence's operations are subject to currency transaction and translation risks.

Providence makes payments denominated in US dollars and other currencies. The currency most contributing to the foreign exchange risk is the US dollar.

Comparative foreign exchange rates as at March 31 are as follows:

	2015	2014
US dollar per Canadian dollar	\$ 0.789	\$ 0.905

Providence has not entered into any agreements or purchased any foreign currency hedging arrangements to hedge possible currency risks, as management believes that the foreign exchange risk derived from currency conversions is not significant. The foreign currency financial instruments are short-term in nature and do not give rise to significant foreign currency risk.

PROVIDENCE HEALTH CARE

Notes to Financial Statements

(Tabular amounts expressed in thousands of dollars)

Year ended March 31, 2015

18. Budget figures:

The original budget, as approved by the Board on March 26, 2014, has been adjusted to reflect changes made to sector allocations for various programs and services and the refinement of allocation between accounts. The changes are as follows:

	Board approved plan	Reallocations	Restated budget
Revenues:			
Vancouver Coastal Health			
Authority Contributions	\$ 502,971	\$ (1,796)	\$ 501,175
Pharmacare	127,500	(3,541)	123,959
Recoveries from other health authorities and			
BC government reporting entities	91,681	(7,722)	83,959
Medical Services Plan	54,398	8,720	63,118
Patients, clients and residents	25,799	4,565	30,364
Amortization of deferred capital contributions	24,997	(4,882)	20,115
Other contributions	9,718	982	10,700
	837,064	(3,674)	833,390
Expenses:			
Acute	683,042	(1,870)	681,172
Community care	17,620	110	17,730
Corporate	50,729	(4,208)	46,521
Mental health and substance use	34,193	997	35,190
Residential care	51,480	1,297	52,777
	837,064	(3,674)	833,390
Surplus	\$ -	\$ -	\$ -